

Message Text

CONFIDENTIAL

PAGE 01 ROME 04845 01 OF 02 031858Z

70

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-04 TRSE-00 FRB-03 ACDA-05 NRC-05

FEA-01 PA-01 PRS-01 USIA-06 AF-06 /121 W

----- 096423

R 031655Z APR 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC 0407

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION NATO

AMCONSUL MILAN

USMISSION IAEA VIENNA

C O N F I D E N T I A L SECTION 1 OF 2 ROME 4845

E.O. 11652: GDS

TAGS:ENRG, TECH, EFIN, IT, US

SUBJECT: BI-LATERAL ENERGY WORKING GROUP: ITALY'S NUCLEAR
DEVELOPMENT PROGRAM

REF: (A) ROME 3968; (B) ROME 4014; (C) ROME 3969; (D) ROME

A-144, 3/25/74; (E) KATZ MEMORANDUM OF 3/14/75 (ALL NOTAL)

1. PROPOSED US-ITALY BI-LATERAL ENERGY WORKING GROUP WILL FOCUS
ON THE ITALIAN NUCLEAR CONSTRUCTION PROGRAM; SPECIFICALLY, US
INPUTS AND ASSISTANCE. THIS WAS MADE ABUNDANTLY CLEAR AT THE
HIGHEST LEVELS DURING THE MARCH 17 VISIT OF ASSISTANT SECRETARY
ENDERS. THIS MESSAGE IS DESIGNED TO REVIEW, SUMMARIZE AND
ASSESS THE BASIC DIMENSIONS OF THE PROGRAM AS CONCEIVED BY
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ROME 04845 01 OF 02 031858Z

GOI PLANNERS, IDENTIFY PROBLEM AREAS AND REVIEW SPECIFIC ITALIAN

CONCERNS.

2. BEGIN LIMITED OFFICIAL USE. THE BASIC ITALIAN NUCLEAR PROGRAM CURRENTLY IN DISCUSSION STAGE -- THE 20,000 MW PLAN -- POINTS TOWARDS THE CREATION OF 20,000 MW INSTALLED NUCLEAR ELECTRICITY GENERATING CAPACITY BY 1985:

PROGRAM OUTLINE (CAPACITY IN MW)

20,000 MW PLAN

YEAR	ORDERS	ENTRANCE INTO SERVICE
1973	2,000	-
1974	2,000	-
1975	10,000	800 (A)
1976	-	-
1977	6,000	-
1978	-	-
1979	-	-
1980	-	1,000
1981	-	3,000
1982	-	4,000
1983	-	4,000
1984	-	4,000
1985	-	4,000
TOTAL	20,000	20,000 (A)

(A) CAORSO - NOT PART OF 20,000 MW PLAN.

3. FINANCING WILL BE MAJOR PROBLEM. GOI ESTIMATES COST OF 20,000 MW PROGRAM AS FOLLOWS:

INVESTIMATE SUMMARY (DOLS MILLION)

(EXCHANGE RATE: LIRE 640 - DOLS 1)

YEAR	PLANT & EQUIPMENT	FUEL CYCLE (A)	TOTAL ANNUAL
1974	23	-	23
1975	83	5	88
1976	1977	5	182
1977	486	5	491
1978	1,028	64	1,092
1979	1,608	142	1,750

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ROME 04845 01 OF 02 031858Z

1980	2,106	213	2,319
1981	2,400	271	2,671
1982	2,244	342	2,586
1983	1,569	412	1,981
1984	1,000	269	1,269
1985	400	354	754
TOTAL	13,124	2082	15,206

(A) INCLUDES SPENDING FOR NATURAL URANIUM, ENRICHMENT SERVICES,

FUEL FABRICATION AND RE-PROCESSING.

NOTE: DOES NOT INCLUDE REQUIREMENTS FOR PLANTS COMING ON-STREAM AFTER 1985. THIS AMOUNT, OF COURSE, IS SEPARATE FROM INVESTMENTS IN CONVENTIONAL FACILITIES, IMPROVEMENTS IN THE DISTRIBUTION NETWORK, ETC. WHICH SUBSTANTIALLY INCREASE TOTAL AMOUNT OF FINANCING NECESSARY.

4. FUEL CONSTITUTES SECOND MAJOR PROBLEM. ENRICHMENT IS NOT EXPECTED TO BE MAJOR PROBLEM (IF EURODIF PROCEEDS ON SCHEDULE), BUT GOI NOTES SERIOUS NATURAL URANIUM SUPPLY PROBLEMS:

NATURAL URANIUM (IN METRIC TONS)

YEAR	PROJECTED NEED	PROJECTED SURPLUS SUPPLY (A) (SHORT FALL)	
1975	-	1006	1006
1976	-	1386	1386
1977	-	1513	1513
1978	640	1504	864
1979	1534	1296	(238)
1980	2178	1466	(712)
1981	2828	1297	(1531)
1982	2408	1297	(2111)
1983	4255	937	(3318)
1984	2695	893	(1802)
1985	3365	858	(2507)
TOTAL	20903	13,453	(7450)

NOTE: (A) INCLUDES 2,650 M.T. FROM CANADA.

END LIMITED OFFICIAL USE

5. CAN THE GOI CARRY OFF THIS PROGRAM? AS PROGRAM CURRENTLY OUTLINED, EMBASSY ASSESSMENT IS PESSIMISTIC:

(A) FINANCIAL CONSIDERATIONS: THIS IS PERHAPS THE MAJOR STUMBLING BLOCK TO REALIZATION OF THE NUCLEAR PROGRAM. BOTH EMBASSY AND GOI FORESEE SUBSTANTIAL DIFFICULTIES IN RAISING CONFIDENTIAL

CONFIDENTIAL

PAGE 04 ROME 04845 01 OF 02 031858Z

NECESSARY DOLS 15 BILLION. GOI BELIEVES THAT PERHAPS DOLS 7-8 BILLION CAN BE RAISED THROUGH CONVENTIONAL MEANS; REMAINING DOLS 7-8 BILLION WILL DEPEND UPON AVAILABILITY OF AND GOI ACCESS TO MAJOR NEW FINANCING. OBVIOUSLY, GOI EXPECTS US ASSISTANCE IN THIS AREA, DIRECTLY OR THROUGH IEA OR OTHER FORUMS. EMBASSY BELIEVES THAT GOI WILL HAVE SUBSTANTIAL PROBLEM RAISING EVEN CONVENTIONALLY FINANCED PORTION. RATE STRUCTURE IMPROVEMENTS, IN ABSENCE OF STRONG EXTERNAL PRESSURE AND DESPITE STATEMENT OF MINISTER OF INDUSTRY DONAT CATTIN TO ASSISTANT SECRETARY ENDERS, SUFFICIENT TO RESTORE ENEL'S SELF-FINANCING ABILITY ARE UNLIKELY TO BE POLITICALLY OR ECONOMICALLY FEASIBLE, GIVEN DIFFICULT ECONOMIC SITUATION AND POLITICALLY POWERFUL LABOR UNIONS FAVORING SUBSIDIZED UTILITY RATES. FURTHER, SERIOUS DIFFICULTIES ENCOUNTERED RAISING FUNDS FOR EVEN THE FOUR PLANTS FOR WHICH LETTERS OF INTENT HAVE ALREADY BEEN ISSUED

(SEE REF E) SCARCELY INDUCES OPTIMISM THAT SUFFICIENT FOREIGN FINANCING ON ORDINARY COMMERCIAL TERMS WILL BE AVAILABLE FOR THE REST OF THE PROGRAM.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 ROME 04845 02 OF 02 031947Z

70

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-04 TRSE-00 FRB-03 ACDA-05 NRC-05

FEA-01 PA-01 PRS-01 USIA-06 AF-06 /121 W

----- 097449

R 031655Z APR 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC 0408

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION NATO

AMCONSUL MILAN

USMISSION IAEA VIENNA

C O N F I D E N T I A L SECTION 2 OF 2 ROME 4845

(B) PROGRAM: THE NUCLEAR PROGRAM DOES NOT REPLACE CONVENTIONAL GENERATING FACILITIES, BUT WILL STILL BE ESSENTIAL TO MEET FORECAST DEMAND FOR THE 1980S AND BEYOND. ENEL, IN FACT, FORSEES DEFICIT IN INSTALLED CAPACITY OF 3,900 MW IN 1978 (UNDER DIFFERENT SCENARIO, DEFICIT COULD REACH 8,900 MW IN 1982 EVEN UNDER AMBITIOUS NUCLEAR PLAN OUTLINED ABOVE AND BUILDING PROGRAM FOR CONVENTIONAL POWER. THUS, ENEL MUST EMBARK ON A

GENERATING CONSTRUCTION PLANT OF MAJOR DIMENSIONS TO MEET 1982
ESTIMATED DEMAND OF 50,000 MW (1974 CAPACITY: 32,500 MW).
HOWEVER, GOI HAS NOT FACED UP TO SERIOUS LOCAL PROBLEMS OF
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ROME 04845 02 OF 02 031947Z

SITING AND PUBLIC ACCEPTANCE WHICH HAVE LED TO VIRTUAL BLOCKAGE
OF NEW POWERPLANT CONSTRUCTION, CONVENTIONAL OR NUCLEAR, DURING
LAST FIVE YEARS. RECENT ANNOUNCEMENT OF AREAS SELECTED FOR
NUCLEAR PLANTS IS LIKELY TO CRYSTALLIZE LOCAL OPPOSITION, AND COULD
CAUSE SERIOUS DELAYS DESPITE NEW REGULATIONS DESIGNED TO SPEED
PROCESS. PUBLIC ACCEPTANCE OF NUCLEAR POWERPLANTS HAS BEEN
INFLUENCED BY RECENT UNFAVORABLE DEVELOPMENTS IN US AND ELSE-
WHERE.

(C) FUEL CYCLE: IN ADDITION TO BASIC SHORTFALL FORESEEN IN
PARA 4, GOI NOTES THAT AMOUNTS AVAILABLE FROM NIGER AND CANADA
ARE UNCERTAIN; NIGER DUE TO GOVERNMENT OR TAX MEASURES AND
CANADA DUE TO ITALIAN NON-RATIFICATION OF NPT AND SAFEGUARDS
AGREEMENTS AND RULES ON FOREIGN INVESTMENT. GOI DIPLOMACY HAS
LATELY BEEN OCCUPIED WITH SEARCH FOR NEW SOURCES OF NATURAL
URANIUM, BUT STATE VISITS BY CANADIAN PM TRUDEAU AND AUSTRALIAN
PM WHITLAM BOTH DISCOURAGING. AVAILABILITY OF ENRICHED SERVICES
DOES NOT APPEAR TO BE SIGNIFICANT PROBLEM AT THIS POINT, BUT
DELAYS IN EURODIF ACTIVATION COULD BE SERIOUS. US/USSR
MONOPOLY OF ENRICHMENT SERVICES RANKLES, AND GOI COMPLAINS
THAT US TAKES ADVANTAGE OF SITUATION TO SET ONEROUS CONDITIONS;
PARTICULARLY, UNILATERAL US RENEGOTIABILITY AND BURDENSOME
FINANCIAL TERMS. SAME COMPLAINTS ALSO EXPRESSED ABOUT USSR SERVICES.

6. IN VIEW ABOVE, EMBASSY HAS SERIOUS RESERVATIONS THAT GOI
PROGRAM IS VIABLE AS CURRENTLY OUTLINED. MORE FEASIBLE, AND
PROBABLE, IS A PROGRAM OF SMALLER DIMENSIONS AND ADJUSTED FOR
FORESEEABLE DELAYS DUE TO LOCAL PROBLEMS.

7. GOI HAS ASKED FOR US CONSIDERATION BASED ON ABOVE PROGRAM;
AND IN CERTAIN SPECIFIC AREAS:

(A) FINANCING FOR NUCLEAR PROGRAM, BOTH OF US PRODUCT COMPONENT
AND FOR ASSISTANCE IN MEETING LOCAL COSTS (ABOUT 80 PERCENT OF
TOTAL PLANT INVESTMENT);

(B) HELP IN ASSURING ACCESS TO RAW MATERIALS, PARTICULARLY
URANIUM; AND

(C) ACCESS TO TECHNOLOGY. SPECIFICALLY, GOI COMPLAINS THAT
ERDA HAS NOT SHARED TECHNOLOGY ON REACTOR OPERATIONS, FUEL LOADING
AND BURNING TECHNIQUES, WITH GOI. NON-SPECIFIC ITALIAN COMPLAINTS
CENTER ON ROYALTY PAYMENT AND OTHER CHARGES FOR US KNOW HOW.

8. GOI HAS NOT YET DEFINED ITS EXPECTATIONS RE POSSIBLE
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ROME 04845 02 OF 02 031947Z

US SUPPORT, EITHER BI-LATERALLY OR IN MULTI-NATIONAL FORA SUCH AS THE IEA, AND GOI WELL AWARE THAT NOTHING OF SUBSTANCE THUS FAR AGREED. CONTINUING GOI CONTACTS WITH OIL-PRODUCING COUNTRIES AND OTHERS SUGGEST THAT GOI IS NOT IN FACT READY TO PUT ALL ITS EGGS IN THE US BASKET. HOWEVER, VAGUENESS OF ITALIAN-US UNDERSTANDING SHOULD NOT CONCEAL GOI HOPES TO USE BI-LATERAL WORKING GROUP AS AN ADDITIONAL MEANS TO ELICIT SUBSTANTIVE US RESPONSE TO ITALIAN FINANCING AND NATURAL URANIUM REQUIREMENTS. PROSPECT OF A MEETING OF THE WORKING GROUP MAY BE EXPECTED TO SPUR PREPARATION OF CONCRETE GOI REQUESTS IN THIS AREA.

BEAUDRY

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NUCLEAR ENERGY, CONSTRUCTION, MEETINGS, NUCLEAR POWER PLANTS, NUCLEAR COOPERATION PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ROME04845
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750115-1056
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750485/aaaaczny.tel
Line Count: 291
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 ROME 3968, 75 ROME 4014, 75 ROME 3969
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 03 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 APR 2003 by KelleyW0>; APPROVED <07 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BI-LATERAL ENERGY WORKING GROUP: ITALY'S NUCLEAR DEVELOPMENT PROGRAM
TAGS: ENRG, TECH, EFIN, IT, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006